



News and Tax Tidbits

January 2026 Edition

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Happy New Year, the 2026 tax season is here!

The 2025 tax season was a success and growing time for Family Tax Solutions, Inc! As we move into the 2026 tax filing season, we extend our sincere thank you for your continued partnership and trust in our firm. We are eager to begin another tax season and are looking forward to seeing our wonderful clients. This tax year you will see quite a few changes in tax law with The One Big Beautiful Bill (OB3). This bill has definitely complicated tax law!

Your personal private information is very important! Please, do not send any documents via email. We have a secure portal at: <https://verifyle.com/@familytaxsolutions>. This is at our website under "client resources" as well. An appointment calendar available at: <https://calendly.com/familytaxsolutions/taxes-robin-family-tax-solutions>

Never a fun topic to discuss, but we will be increasing our prices approximately 20% in 2026. Last year, we didn't increase prices at all. Unfortunately, we don't have a choice with the cost of inflation and the complexity of OB3. You will also see some new forms with the tax law as well. We look forward to being your experts in navigating all things tax!

- Robin Gervais, Enrolled Agent

What makes our office different?

1. An Enrolled Agent with over 20 years professional tax experience.
2. 40-50 hours annually of continued education on tax alone.
3. Year-Round Service. We do not close in the off-season.
4. Tax Preparation always comes with tax planning vision.
5. Extra fees apply for: Tax representation and audit support

Advanced Tax Planning

Bookkeeping/Payroll Services



2025 Individual Tax Updates

Due Dates: W2's and 1099's February 2, 2026
1065 Partnership/1120-S S-Corp March 16, 2026
Individual and C-Corp Returns April 15, 2026

Standard Deduction: Single/Married Filing Separate \$15,750 Head of Household \$24,150
Married Filing Jointly/ Qualified Surviving Spouse \$31,500
Additional Amount over 65 or blind \$1,600 s/mfs or \$2,000 m/f/qw

Child Tax Credit (CTC): under 17 \$2,200 over 17 \$500 Up to \$1,700 refundable

Capital Gains Rates: OB3 still allows, 0%, 10%, 15% and 20% Capital Gains Rates

Health Savings Account: Contributions up until April 15, 2026 \$4,300/\$8,550 family \$1,000 over 50

Individual Retirement Accounts (IRA): Contributions up until April 15, 2026 \$7,000 plus \$1,000 over 50
2026 \$7,500 with \$1,100 over 50 catch-up

Roth Income Phase-out: 2025:150,000-\$165,000 S/HOH \$236,000-\$246,000 MFJ/SS 2026 – increase each by \$3,000

401K Contributions: 2026 \$24,500 plus \$8,000 over 50 and \$11,250 ages 60-63

2025 Individual Update (Continued)



NEW Deductions (You **DO NOT** have to itemize to claim these deductions)

Tips Deduction: Tax Years 2025 – 2028 (AKA “No Tax on Tips”)

- Allowed for only eight proposed occupations such as Food Service, Entertainment, Hospitality, Personal services, Home Services, and Delivery, etc.
- Tips must be paid voluntarily and in cash or cash equivalent.
- Must be reported on a W-2 or 1099-K, 1099-NEC, 1099-Misc or voluntarily reported on form 4137 to qualify.
- Partners in a qualifying occupation, currently don't qualify.
- Deduction is limited to \$25,000 in tips and it is limited when Modified AGI is above \$150,000 s/\$300,000 m/fj

Overtime Deduction: Tax Years 2025-2028 (AKA “No tax on Overtime”)

- Overtime must be paid to an individual as required under §7 of the Fair Labor Standards Act
- It is only the half part of the 1.5 times of wages.
- Limited to \$12,500 single/mfs or \$25,000 m/fj/qss. Limited when Modified AGI is above \$150,000 single/mfs or \$300,000 married filing joint/qss.
- Must be reported on the W-2 or other statement and separately stated.

Senior Deduction: Tax Years 2025-2028 (AKA “No tax on Social Security”)

- Available for 65 or older but it is not tied to receiving Social Security. In other words, you do not have to be collecting Social Security in order to receive the deduction. Age and AGI matter to qualify.
- Up to \$6,000 for an individual 65 and older; up to \$12,000 for married filing joint if both are over 65. Reduced when Modified Adjusted Gross Income is over \$75,000 s/mfs or \$150,000 m/fj/qss

Car Loan Interest Deduction: Tax Years 2025 – 2028

- You may deduct up to \$10,000 of car loan interest on the purchase of a new vehicle where the final assembly occurs in the United States.
- Cannot be a used vehicle and it must be primarily for use on public streets, roads, and highways,
- It has at least two wheels, and is either a car, minivan, van, SUV, pickup truck, or motorcycle,
- It is treated as a motor vehicle for purposes of Title II of the Clean Air Act, and GVW of <14,000lbs.
- Interest may be reported on a 1098-VLI when interest is over \$600. Must provide VIN number.

Increase in State and Local Tax Deduction (SALT) on Itemization

State and Local Tax Deduction (SALT deduction) 2025-2029

- Since 2018, State and Local tax deduction was limited to \$10,000. With the increase of the standard deduction and the SALT limitation many clients no longer itemized.
- In 2025, the State and Local Tax Deduction will be \$40,000 increasing each year until 2029 making it possible that some may go back to itemizing. Especially with homeowner's paying higher mortgage rates.

The One Big Beautiful Bill made permanent for individuals:

- The Increase Standard Deduction and 10%, 12%, 22%, 24%, 35% and 37% tax brackets.
- The Increase in Estate and Gift tax exclusions: 2025: \$19,000 gift tax and \$13,990,000 Lifetime estate/gift tax exclusion. 2026 \$19,000 gift tax and \$15,000,000 Lifetime Estate/gift tax exclusion.
- The Elimination of 2% Misc Deductions (Included Employee Business Deductions for example)
- The Elimination of moving expenses for anyone except military-related moves.
- Allows up to \$5,000 of Adoption expenses to be refundable after Dec 31, 2024.
- Terminated Green Tax Credits for vehicles after Sept 30, 2025 and Energy Efficient home credits after Dec 31, 2025 including solar.
- Permanently limited Personal Casualty Losses to those in a declared disaster.
- Permanently makes Student Loan payment by an employer up to \$5,250 as tax-free to employee.
- Health Savings Accounts: Permanently allows High Deductible Health Plans to offer Telehealth.

529 Plans: Qualified Tuition Plans

Starting July 4, 2025 529 plans can be used for:

- Educational expenses in connection with enrollment or attendance at an elementary or secondary school, including curriculum and curricular materials; books or other instructional materials; online educational materials; tutoring or educational classes outside the home; certain testing fees; fees for dual enrollment in an institution of higher education; and certain educational therapies for students with disabilities.



TRUMP Accounts – Tax Deferred Saving Accounts for Children

The Trump account works like a traditional IRA. During the growth period, anyone can contribute to the account. It can be invested in eligible investments.

An Authorized individual must open the account. Such as: a legal guardian or parent may elect to open a Trump Account. They should be a qualifying child for the tax year. You elect this on the tax return by filing form 4547 with the tax return.

During the growth period which ends on Dec 31st before the child turns 18, there are 5 types of contributions:

1. Qualifying children born Jan 1, 2025 – Dec 31, 2026 will receive \$1,000 deposited in July of the next year..
2. Employers can contribute up to \$2,500 as an employee benefit with no tax consequence to the employee up to \$5,000.
3. Anyone can contribute to them, for Example: Michael and Susan Dell's pledged 6.5 billion to deposit into Trump accounts in certain disadvantaged zip codes. In fact, states and 501c3's can contribute with no limit.
4. No contributions can be made before July 4, 2026.

This is just the basics. But, definitely something to think about!

One Big Beautiful Bill Individual Law changes beginning in 2026 and beyond:

- Reinstates the deduction for cash contributions for non-itemizers and increases the deductible amount to \$1,000 s/mfs and \$2,000 on a joint return.
- Institutes a .5% Adjusted Gross Income floor on itemized charitable deductions.
- Allows Bronze-level or catastrophic plan enrollees on the Health Insurance Marketplace to have a Health Savings Account (HSA).
- HSA's can treat Direct Primary Care Service Arrangements (DPCSA) expenses as qual medical expenses.
- Child and Dependent Care Credit: Increases from 35% maximum credit to 50% maximum credit.
- Alternative Minimum Tax (AMT) exemptions and phaseouts will increase.
- Mortgage Insurance Premiums will be treated once again as Mortgage Interest on qualified residences.
- Includes State disasters for Personal Casualty Losses.
- Wagering Losses will be limited to 90% of wagering income.
- ABLE accounts are made permanent.
- Limitation of itemized deduction begins at the 35% tax bracket instead of the 37% tax bracket.
- For Military: Lists Sinai Peninsula, Kenya, Mali, Burkina Faso and Chad as hazardous duty areas.
- Student Loan Forgiveness exclusion is limited to death or disability.
- Remittance Transfer: If you provide cash, money order or cashier's check and send to someone outside the United States, there will be a 1% excise tax starting in 2026.
- In 2027, OB3 creates a new tax credit to certain Scholarship-granting Organizations up to \$1,700.
- In 2027, Income verification system will be in effect for and Advanced Premium Tax Credit for those on the Health Insurance Exchange.



2025 Idaho Tax Updates

Tax Conformity to the One Big Beautiful Bill: As of the date of this Newsletter, Idaho has not passed this conformity to align with this federal tax bill. This may mean that: no tax on tips, no tax on overtime, vehicle interest deduction, the senior deduction, etc may be taxable to Idaho.

Grocery Credit (Food Tax Credit):

- Increased to \$155 per person. Or can be up to \$250 per person if you submit copies of all your receipts. You will need to adjust receipts for only food that qualifies for the Federal SNAP program. That would be approx \$4,167 per person spent on groceries. Does NOT include: over-the-counter drugs, household supplies, and hot food.
- Provide a PDF of all your receipts and notify our office that you have an alternate amount to claim.

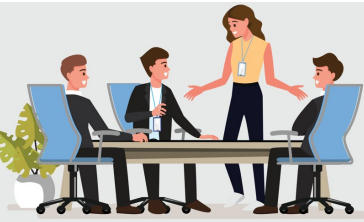
Retirement Benefits Deduction: Veterans age qualifications has decreased to those 62 and older.

Small Sellers Sales Tax Permit: Occasional sellers with sales under \$3,000 do not have to collect sales tax if they are not an LLC. Does not include sales tax on vehicles, lodging, alcohol or admissions.

Idaho Parental Choice Tax Credit Program: For Idaho K-12 students. Apply for up to \$5,000 per eligible student. \$7,500 for a disabled child. Go to <https://myschoolchoice.idaho.gov/> for all the important details.

2025 Business Tax Updates

Business Deductions	2024	2025	2026
Standard Mileage Rate	\$0.67	\$0.70	.72
§179 Maximum	\$1,220,000	\$2,500,000	\$2,560,000
§179 Phase Out Starts	\$3,050,000	\$4,000,000	\$4,090,000
§168(k) Bonus Rate	60%	40% / 100%	100%
QSEHRA (Self / Family)	\$6,150 / \$12,450	\$6,350 / \$12,800	\$6,400 / \$13,100



Qualified Production Property

- Created a new 100% special depreciation for qualified production property placed in service after July 4, 2025. There are many caveats to this 100% Depreciation to list!

Qualified Small Business Stock

- Enhancement of the exclusion for C-corp small business stock acquired after July 4, 2025 to exclude from income 50% of the gain after 3 years: 75% after 4 years and 100% after 5 years.
- Eligibility for this exclusion depends on the corporations aggregate gross assets not exceeding \$50 million at the time of issuance.

1099 Reporting Thresholds

- 1099-K's reporting threshold retractively restored to the original \$20,000 in gross payments and 200 transactions in the calendar year.
- 1099-MISC/1099-NEC reporting thresholds starting after Dec 31, 2025 will increase from \$600 to \$2,000.

Business Interest Deduction Limitation

- Increased the cap on deductible business interest by adjusting taxable income without taking into account deductions for depreciation, amortization or depletion. Applies after Dec 31, 2024.

Qualified Business Income Deduction (QBI)

- Starting after Dec 31, 2025 if a taxpayer has at least \$1,000 of income from active trade or business and materially participate, there will be a \$400 minimum QBI Deduction.

Qualified Farmland Property to Qualified Farmers

- Sale of qualified farmland property to qualified farmers can be deferred over 4 years on Form 1062.

The ONE Big Beautiful Bill made permanent for businesses:

- Permanently increased the §179 to 2.5 million with some exclusions. Applies after Dec 31, 2024.
- 100% Bonus Depreciation permanent on property acquired and placed into service after January 19, 2025.
- Terminated Commercial Clean Vehicle Credits for Vehicles acquired after September 30, 2025.
- Made permanent Qualified Business Income Deduction at 20% rate.
- Made Permanent the employer credit for paid family medical leave after Dec 31, 2025.
- Terminated businesses operating a food and beverage facility for their employees as an deductible expense after Dec 31, 2025.
- Terminated after Dec 31, 2025 the Qualified Transportation Fringe Benefit for bicycle commuting.
- Terminated Alternative fuel refueling property credit property placed in service after June 30, 2026.
- Terminated Energy Efficient Commercial Building deduction for property constructed after June 30, 2026.

Business Tax Laws beginning in 2026:

- Increases the employer-provided child care credit to 40%. Must meet the gross receipts test.
- Increased the exclusion for Dependent Care Assistance from \$5,000/\$2,500 to \$7,500/\$3,750
- Added a 1% taxable income floor on deductible business charitable contributions in addition to a 10% taxable income limit.
- Excessive loss limitations are made permanent \$256,000/\$512,000.

Family Tax Solutions believes that NO One should pay a penny more in taxes than what is required.

Ethical tax planning is a quality that you can depend on!